

CITY AUDITOR'S OFFICE



DURANGO HILLS COMMUNITY CENTER CONTRACT COMPLIANCE AUDIT

Report No. CAO 1602-0708-06

February 22, 2008

**RADFORD K. SNELDING, CPA, CIA, CFE
CITY AUDITOR**

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	1
SCOPE AND METHODOLOGY	1
CONCLUSIONS, FINDINGS AND RECOMMENDATIONS.....	2
1. Vending and Concessions.....	4
2. Written Notification of Intent to Renew Agreement.....	5
3. Ten Percent City Usage of the Center	6
4. Fee Analysis and Approval Process	7
5. Financial Analysis of Contractor Records	8
6. Advertisements and Marketing.....	9
7. City Bank Account.....	11
8. YMCA Contractor Compliance	12
9. Safety Monitoring	13
10. Operating Reserve	14
11. General Liability Certificate of Insurance	15
12. Other Governmental Permits	17
13. Utility Cost Monitoring	18
14. Energy Management	19
15. Document Tracking and Storage Process	20
Management Response	22

**DURANGO HILLS COMMUNITY CENTER
CONTRACT COMPLIANCE AUDIT
CAO 1603-0708-06**

BACKGROUND

The City of Las Vegas (City) owns the Durango Hills Community Center (Center), a 45,000 square foot community center with an adjoining pool at 3521 North Durango Drive, Las Vegas, Nevada. The Young Men's Christian Association of Southern Nevada (YMCA) was selected to operate and manage the Center. The original Operating Agreement (Agreement) between the City and the YMCA was signed on February 5, 2003 for an initial five year period with two three-year renewal options. The initial five-year period ends on January 21, 2008.

In May 2007, there was a change in the City staff member assigned to monitor compliance with the Agreement. This person is identified in this report as the Project Manager. The City Manager's Office requested that the City Auditor complete an audit of the City's and YMCA's compliance with the Agreement provisions.

OBJECTIVES

The audit objective was to determine whether the City and the YMCA are in compliance with the Agreement provisions.

SCOPE AND METHODOLOGY

The scope of the audit was limited to verifying compliance by City staff and the YMCA for the period of January 1, 2006 through August 31, 2007. This audit did not include an audit of the Bureau of Land Management's (BLM) monitoring of the Agreement or the YMCA's correspondence with the BLM. Our last fieldwork date was November 16, 2007.

The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Research of applicable guidelines,
- Interviews of City and YMCA personnel,
- Observations of work processes, and
- Analysis and detail testing of available data.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

We identified the following issues during the Durango Hills Community Center Contract Compliance Audit:

- ***Vending and Concessions (Finding 1):*** Issues relating to compliance with NRS 426 have not yet been resolved.
- ***Written Notification of Intent to Renew Agreement (Finding 2):*** Although verbal discussions occurred between the City and the YMCA, neither party notified each other in writing of their intent to renew the Agreement 180 days prior to the expiration of the initial Agreement term
- ***Ten Percent City Usage of Center (Finding 3):*** Neither the City nor the YMCA track the City's percentage usage of the Center.
- ***Fee Analysis and Approval Process (Finding 4):*** City staff members have not formally defined what are considered to be reasonable fees charged by the Center in comparison to other facilities. The City's fee analysis is time consuming and subjective.
- ***Financial Analysis of Contractor Records (Finding 5):*** While City staff members prepare a comparison of the Center's financial information to the Veterans Memorial Community Center; we were unable to identify any evidence of a routine analytical review of the Center's financial information.
- ***Advertisement and Marketing (Finding 6):*** The YMCA has not been submitting all advertising and marketing materials to the City for approval and the materials did not all include language stating that the Center is a City-owned facility.
- ***City Bank Account (Finding 7):*** City staff members do not monitor the City bank account used by the YMCA for the Center's operations.
- ***YMCA Contractor Compliance (Finding 8):*** The YMCA does not have policies in place to ensure that their suppliers and subcontractors are in compliance with the Equal Opportunity, Americans with Disabilities, and Drug Free Workplace Acts.
- ***Safety Monitoring (Finding 9):*** The City has not implemented procedures to ensure that the YMCA conforms to all safety regulations.
- ***Operating Reserve (Finding 10):*** The YMCA was unable to provide us with documentation showing that the Certificate of Deposit for the operating reserve is restricted. City staff members are not verifying that this operating reserve exists and is restricted.

- ***General Liability Certificate of Insurance (Finding 11):*** The general liability certificate of insurance does not include all required information. We were unable to identify any evidence that City staff members are reviewing the insurance certificates for compliance with the Agreement provisions.
- ***Other Governmental Permits (Finding 12):*** We were unable to substantiate that current pool health and boiler/pressure vessel operating permits have been issued.
- ***Utility Cost Monitoring (Finding 13):*** In accordance with Amendment 1 to the Agreement, the City reimburses the YMCA for the Center's utility costs. These utilities are not included in the City's utility usage and cost monitoring program.
- ***Energy Management (Finding 14):*** The YMCA could more effectively identify energy management issues and improve the energy efficiency of its HVAC equipment.
- ***Document Tracking and Storage System (Finding 15):*** There is not a formalized central document tracking and storage process for monitoring the Agreement.

Further information is contained in the sections below.

1. Vending and Concessions

Criteria

Section 102 Description of the Contract Area

The building in the Contract Area has facilities for the following:...concession area and vending machines which shall be in compliance with NRS 426.640 through 426.680.

Nevada Revised Statute (NRS) 426.640 Operation of vending stand on public property and property of State Park System by blind person: Purposes; license.

For the purposes of providing blind persons with remunerative employment, enlarging the economic opportunities of blind persons and stimulating blind persons to greater efforts to make themselves self-supporting with independent livelihoods, blind person licensed under the provisions of NRS 426.630 to 426.720, inclusive, by the Bureau:

- 1. Have priority of right to operate vending stands in or on any public buildings or properties where the locations are determined to be suitable, pursuant to the procedure provided in NRS 426.630 to 426.720.***

Permit Agreement between Public Agencies: State of Nevada Rehabilitation Division Bureau of Services to the Blind and Visually Impaired Nevada Business Enterprise Program and the City of Las Vegas

- 1. General The City grants to the Bureau the right for an Operator, or Operators, as defined in NRS 426.630(1), to place vending machines on City-owned property, subject to the provisions of this Agreement....This grant is limited to vending machines and does not extend to live concessions, whether fixed or mobile.***

Condition

The Center has several vending machines and a pool snack bar operated by outside contractors.

YMCA management represented to us that they have periodically had conversations with City staff members relating to their compliance with NRS 426. However, they have not received direction from the City on any required actions to comply considering they are a non-profit organization operating in a public building.

On February 2, 2006, the City executed an agreement with the Bureau of Services to the Blind and Visually Impaired (Bureau of the Blind) to place vending machines on City owned properties. A City staff member indicated that the Center was granted a verbal rather than a written waiver to this agreement thereby allowing the Center to enter into vending contracts with other vendors. This waiver did not extend to concession stands operated at the Center.

Cause

Unresolved issues with the Bureau of the Blind.

Effect

Potential for non-compliance with NRS 426.

Recommendation

The Project Manager should coordinate with Purchasing and Contracts to address the unresolved issues related to the Center's compliance with NRS 426 and provide direction to the YMCA.

2. Written Notification of Intent to Renew Agreement

Criteria

Section 201 Term and Renewal

Within One Hundred Eighty (180) days prior to the expiration of the initial term or within One Hundred Eighty (180) days prior to the expiration date of each renewal period, each party shall **notify the other in writing** of its intent to renew this Agreement. If either party declares its intent not to renew, said party, within its notice of intent, shall advise the other party of the reasons it does not intend to renew.

Condition

While verbal discussions occurred between the City and the YMCA, neither party complied with the requirement to notify each other in writing of their intent to renew the Agreement 180 days prior to the expiration of the initial Agreement term.

Both parties subsequently notified each other in writing of their intent to renew the Agreement.

Cause

Parties failed to comply with this Agreement provision.

Effect

Non-compliance with Agreement provision.

Recommendation

The Project Manager should develop a method for monitoring compliance with important deadlines within the Agreement.

3. Ten Percent City Usage of the Center

Criteria

Section 305 User fees, Program Schedule, and Budget

The Contractor shall cooperate with the City for not less than ten percent (10%) joint-use scheduling of the Center and not less than ten percent (10%) physical usage of the Center, subject to operational constraints and limitations. The Contractor agrees that the City's ten percent (10%) of joint-use schedule shall be made available during the Center's operational hours or other hours as requested by the City. Contractor agrees that the City may schedule special events with ten days advance notice. The Contractor may also provide use of the Center to community organizations; however, the use by community organizations shall not apply towards the City's ten percent (10%) joint use schedule.

Condition

The YMCA rents out their rooms for birthday parties and for use by various community organizations. The City uses the facility for a regular senior fitness class, periodic town hall meetings, and special events. No fees are charged to the City for these uses. In addition, neighborhood-based associations registered with the City are permitted to use the Center free of charge for their meetings. The YMCA considers use of the Center by these neighborhood-based associations to be City usage.

The following is a summary of usage information for the twelve months ended December 31, 2006 and the eight months ended August 31, 2007 compiled from the Center's room rental schedule and discussions with personnel:

Organization	2006	2007 ☐
City Usage	28 hours*	8.5 hours*
City-sponsored Senior Fitness Classes	On average, 5 hours per week	
Neighborhood-based Associations	86 hours*	118 hours*

☐ Represents eight months ended August 31, 2007.

* Represents total hours calculated for the period.

While the YMCA tracks their room reservations on spreadsheets for both paying and non-paying organizations, neither the YMCA nor the City track the City's percentage usage. YMCA Management stated that they make every effort to accommodate City and neighborhood-based association usage of the Center regardless of the 10 percent usage requirement. The City has not requested that this information be tracked and this has become the established practice.

The Agreement does not stipulate the methodology to be followed in tracking the City's percentage usage of the Center (i.e., should the percentage be based on total Center operating hours or total available room hours?).

Cause

This provision is not well defined in the Agreement and therefore, the accepted practice has been to not track the percentage usage of the Center by the City.

Effect

The City's percentage usage of the Center is unknown.

Recommendation

The Project Manager should:

- Evaluate whether the YMCA and/or City should track the City's percentage usage of the Center.
- If the decision is made to track City usage, work with the YMCA to establish a methodology for determining the City's percentage usage of the Center.
- Request that the YMCA summarize the total hours of usage of the City and registered neighborhood-based associations and submit this monthly to the City.

4. Fee Analysis and Approval Process

Criteria

Section 305 User Fees, Program Schedule, and Budget

*The City shall have final approval of the Fee Schedule...The Contractor and the City agree that no more than a **reasonable charge** may be imposed or collected for the use of the Center and that any and all fees or charges for Contractor use of the Center and its facilities may **not exceed fees or charges imposed by other comparable installations**.*

Condition

The YMCA submits the Center's fee changes to the City for approval. The Project Manager prepares a comparison of these fees to those of Leisure Services and identifies changes in fees from the prior year.

The Agreement is vague in its requirement that the fees must be *reasonable* and should *not exceed that of other comparable installations*. The fee structures, programs, and length of programs of the YMCA and Leisure Services are not all comparable. City staff members have not formally defined what are considered to be reasonable charges. These factors make the review of fees a time consuming and subjective analysis.

Cause

Vague language in the Agreement.

Effect

The fee analysis completed by City staff members is time consuming and subjective due to the differences in fee structures, programming, and length of programs sessions.

Recommendation

The Project Manager should:

- Re-evaluate how the fee analysis is completed including what program fees the City is most interested in comparing.
- Identify what other City staff members should participate in this analysis.

5. Financial Analysis of Contractor Records

Criteria

Section 306 Contractor Operating Records

The Contractor shall prepare and submit annual profit and loss statements as well as any incidental financial or operating statements as deemed necessary by the City and as the normal course of operation shall dictate.

Condition

The YMCA submits the Center's monthly income statements to the City. The City's Department of Finance and Business Services (Finance) uses this information to prepare spreadsheets comparing the operations of the Center to the Veterans Memorial

Community Center (a center operated by the City with the same building footprint). Various adjustments are made to each center's financial information in an attempt to compensate for differences in the operations of the two community centers. There are flaws in methodology and inconsistencies in how these comparison spreadsheets are prepared.

While the Center's financial information is compiled in these comparison spreadsheets, we were unable to identify any evidence of a routine analytical review of the Center's financial information.

Cause

- Considering the outsourcing of the operations of the Center was a new concept for the City, Finance's focus has been on preparing a comparison of the financial information for the two community centers rather than focusing on the Center's financial performance.
- The methodology used to prepare the comparison and the relevance of the information provided has not been recently evaluated.

Effect

Staff resources may not be used effectively and the comparison may not be providing relevant information.

Recommendation

The Project Manager should work with Finance to evaluate how to best analyze the monthly financial information provided to the City. If a decision is made to continue with the comparison of the two community centers, the flaws in methodology and inconsistencies should be addressed.

6. Advertisements and Marketing

Criteria

Section 310 Advertisements and Marketing

*Prior to printing, producing and/or disseminating **any** written, audio-visual and/or audio communications, advertisements and other marketing materials, the Contractor agrees to submit to the City the proposed communication, advertisement or material for approval.*

The Contractor and the City shall mutually agree upon Center advertisements, exterior and interior signage, brochures, newsletters, promotional publicity, and other marketing

materials. The advertisements and other marketing materials shall contain language that clearly states that the Center is a City-owned facility which is operated by the Contractor...Communication produced or distributed by the Contractor or City shall convey a consistent message of cooperation to the public.

Condition

The YMCA submits their seasonal program guides to the City for review and approval. These guides are reviewed by Leisure Services and Office of Communication staff members. Other advertising and marketing materials are not submitted to the City as required by the Agreement.

At our request, the YMCA provided us with copies of their 2006 and 2007 advertising and marketing materials that were not reviewed by City staff members:

- 11 newspaper advertisements
- 2 annual reports
- 5 “The Y Investor” (the donor newsletter)
- 7 “A Word from the Y” (the member newsletter)

Each one of these advertising and marketing materials included the name and address of the Center, however, only one of them contained language that states the Center is a City-owned facility as required in the Agreement provision.

Cause

The accepted practice for the City is to only review the seasonal program guides.

Effect

Without the City reviewing all advertisements and marketing materials, there is no assurance that these materials comply with the provisions of the Agreement.

Recommendation

The Project Manager should:

- Clarify what advertising and marketing materials the YMCA should submit to the City.
- Identify which city staff members should review the advertising and marketing materials and define the objectives of their review.

7. City Bank Account

Criteria

Section 311 Deposits and Draw Downs

The Contractor shall deposit all funds collected from the operation of the Center including, but not limited to, user fees, program fees and other fees or charges, in to an account established by the city ("City Account"). Subject to appropriate authorizations designated by the City, the Contractor shall be authorized to draw down funds that are available in the City Account and deposit such funds into the Contractor's operating account. In no event shall the Contractor draw funds from the City Account which exceed the amount available. Each month, the Contractor shall submit to the City an itemization of all activity in the City Account.

Condition

The following issues were identified in a review of the January 1, 2006 through August 31, 2007 bank statements of the City Account used by the YMCA for the Center's operations:

- The City Account had a negative balance on seven days.
- Automatic drafts for monthly membership fees are processed through the YMCA's main operating account rather than through the City Account. This is not in accordance with the Agreement.
- The YMCA submits monthly income statements to the City as their *itemization of all activity in the City Account*. These income statements include financial activity in both the City Account and the YMCA's main operating account. However, the income statements do not specify the source of the activity. Without this information, Finance would be unable to evaluate the completeness of the provided monthly income statements.
- The signature card for the City Account included the name of a former YMCA Board Member.
- While the City Account is a joint account between the City and the YMCA, the signature card did not include any City representatives.

Cause

Lack of monitoring of City Account.

Effect

Non-compliance with Agreement provisions.

Recommendation

The Project Manager should:

- Coordinate with Finance to establish monitoring procedures for the City Account.
- Determine if additional information should be provided by the YMCA.
- Ensure that the signature card is updated and remains current.

8. YMCA Contractor Compliance

Criteria

Section 402 Equal Opportunity, Americans With Disabilities Act and Drug Free Workplace Act

*The Contractor shall also be familiar with and adhere to the specific provisions of the Americans With Disabilities Act of 1990 relating to Title I, Employment, and Title II, Public Services, and Drug Free Workplace Act. Additionally, **the Contractors will ensure that any suppliers or subcontractors functioning under this Agreement shall also be in compliance with the aforementioned titles.***

Condition

According to YMCA management, they have no policies in place to ensure that their suppliers and subcontractors are in compliance with these Acts.

Cause

This provision has not been addressed by YMCA management.

Effect

Non-compliance with Agreement provision.

Recommendation

The Project Manager should work with YMCA management to evaluate how to satisfy this Agreement provision.

9. Safety Monitoring

Criteria

Section 501 Safety Regulations

The Contractor shall conform to all safety regulations, i.e., O.S.H.A. and N.O.S.H.A. requirements covering such premises in effect at any time during the performance of the Agreement. The Contractor agrees to take all necessary steps and precautions to prevent accidents and preserve the life and health of its employees performing or in any way coming in contact with performance of this Agreement on such premises.

Condition

Since the execution of the Agreement, the City has not implemented procedures to monitor the YMCA's compliance with the Agreement provisions requiring the YMCA to conform to all safety regulations.

During the audit, we requested that the City's Safety Officer complete a safety inspection of the Center. Various minor safety hazards were identified. The Safety Officer issued a report of her findings on October 25, 2007.

Cause

City staff never established procedures to verify the YMCA's conformance to safety regulations.

Effect

- The City has no assurance that the Center conforms to all safety regulations.
- The YMCA may not be aware of certain safety issues.

Recommendation

The Project Manager should:

- Request that the City's Safety Officer conduct periodic safety inspections of the Center and forward him copies of her findings.
- Coordinate follow-up on the identified findings to ensure proper resolution.

10. Operating Reserve

Criteria

Section 503 Operating Reserve

Contractor shall maintain throughout the term of this Agreement an operating reserve (hereinafter referred to as "Operating Reserve") during Agreement in the principal sum of Twenty-Five Thousand Dollars (\$25,000). The Operating Reserve shall guarantee performance of each term and condition of this Agreement, and in the event of any breach of this Agreement, the amount thereof shall be recoverable by the City for all damages resulting from failure of the Contractor to well and faithfully perform and observe any and all provisions of this Agreement.

The Agreement stipulates that the YMCA can select one of three options for establishment of an operating reserve. The YMCA selected the following option:

*A deposit of cash in the amount of Twenty-Five Thousand Dollars (\$25,000) in a **restricted** Certificate of Deposit drawn against the account of the Contractor on such bank as the City shall approve, **allowing for withdrawal only upon written consent of the City**. All interest earned on such Certificate of Deposit shall be the property of the Contractor.*

Condition

The YMCA was unable to provide us with documentation showing that the Certificate of Deposit for the operating reserve is restricted as required by the Agreement.

City staff members are not verifying that this operating reserve exists and is restricted as required by the Agreement.

Cause

Lack of oversight of Agreement provision.

Effect

Operating reserve may not be established in compliance with the Agreement provisions.

Recommendation

The Project Manager should:

- Request that the YMCA provide the City with documentation showing that the operating reserve is restricted in accordance with the Agreement.

- Establish annual procedures to verify the continued existence of this operating reserve and the required restriction.

11. General Liability Certificate of Insurance

Criteria

Section 504 Insurance

The Contractor shall procure and maintain continuously in effect during the term of this Agreement policies of insurance of the kind and amount as follows:

- 1. The contractor shall procure and maintain insurance of the kind and amount sufficient to cover any liability of the Contractor under the Industrial Insurance laws, NRS Chapter 626, of Nevada.*
- 2. The Contractor shall procure and maintain comprehensive or commercial general liability insurance, including broad form endorsement and stop-gap (employer's liability endorsements) in minimum amounts of Two Million Dollars (\$2,000,000) per occurrence and Four Million Dollars (\$4,000,000) annual aggregate combined single limit for personal injury, including death, and for property damage. Coverages thereunder shall include premises and operations liability, contractual liability, personal injury, owner's and contractors' protection, elevator liability, employer's liability, projects and completed operations coverage.*

*Such insurance shall provide that **the City and the United States are named additional insured.***

Section 505 General Insurance Requirements

Contractor shall furnish the City and BLM policies evidencing all such insurance or a certificate or certificates of the respective insurers, stating that such insurance is in force and effect.

*All policies or certificates of insurance **shall be approved and determined by the City whether in compliance with this Agreement.***

The Contractor shall provide the City and BLM with a certificate of insurance or other proof of insurance evidencing the Contractor's compliance with the requirements of this paragraph and shall file such proof of insurance with the City's Risk Management Office.

*Each insurance company's rating as shown in **the latest Best's Key Rating Guide shall be fully disclosed and entered on the required certificate of insurance.** The adequacy of*

*the insurance supplied by the Contractor, including the rating and financial health of each insurance company providing coverage, is subject to the approval by the City. The City requires insurance carriers to **maintain a Best's Key rating of A VII or higher.***

Contractor shall furnish renewal certificates for the required insurance during the period of coverage required by this Agreement.

***The City, the United States and their officers, employees, and volunteers must be expressly covered as insured** with respect to liability arising out of the activities by or on behalf of the named insured in connection with this project, excluding professional liability insurance.*

All deductibles and self-insured retentions shall be fully disclosed in the Certificate of Insurance.

Condition

The YMCA's current certificate of insurance (certificate) for their general liability insurance coverage is in effect from July 1, 2007 through June 30, 2008. The following issues relating to this certificate were identified:

- The umbrella liability coverage amounts that bring the YMCA's coverage amounts into compliance with the required amounts under the Agreement are not identified on the certificate.
- The BLM is not identified as an insurance certificate holder by the YMCA's insurance broker.
- The insurance company's Best's Key Rating is not entered on the certificate.
- No verbiage exists on the certificate stating that the City, the United States and their officers, employees, and volunteers are covered as insured with respect to liability arising out of the activities by or on behalf of the named insured in connection with this project, excluding professional liability insurance.
- While there is no deductible related to the liability insurance, this is not disclosed on the certificate.

The YMCA's insurance broker stated that insurance renewal certificates are being sent to the City. However, we were unable to identify city staff members who are receiving and maintaining the certificates. The City's Insurance Services Division of the Department of Human Resources (identified as the Risk Management Office in the Agreement) has not been receiving the insurance certificates. We were unable to identify any evidence that City staff members are reviewing the insurance certificates for compliance with the Agreement provisions.

Cause

- The provisions of the Agreement do not appear to have been communicated by the YMCA to their insurance broker.
- Lack of oversight of these Agreement provisions.

Effect

Non-compliance with Agreement provisions.

Recommendation

The Project Manager should:

- Request that the YMCA provide the City with a current certificate of insurance that complies with the Agreement provisions.
- Request that the YMCA inform their insurance broker to send all future renewal certificates to the Project Manager.
- Establish procedures for receipt, review, and filing of all renewal certificates of insurance provided by the YMCA.
- Identify City staff members and/or outside resources who should be involved with this review.

12. Other Governmental Permits

Criteria

Section 506 City and Other Governmental Permits

The Contractor shall, at its own expense, secure or cause to be secured any and all permits which may be required by the City or any other governmental entity for the operation of the Center, including the Clark County Health District. The City shall exercise its best efforts to provide all assistance to the Contractor in securing these permits.

Condition

The YMCA is required to have a pool health permit from the Southern Nevada Health District (Health District), formally known as the Clark County Health District. The YMCA was only able to provide us with a pool health permit with an expiration date of June 30, 2007. The expired pool health permit was issued in the name of the City. In August 2007, the Health District issued a report stating the “YMCA of Southern Nevada is leasing this pool from the City and must apply for a change of ownership to get a new permit in their own name.”

The Center is also required to have five boiler/pressure vessel operating permits from the Nevada Department of Business and Industry Health. The permits provided had expiration dates of July 15, 2006. These expired permits were in the name of the City.

Inspections of the Center are periodically completed by the Health District and summarized in reports. The City has not been receiving these reports.

Cause

Lack of oversight of this Agreement provision.

Effect

- Uncertainty on whether current permits have been issued.
- The City is not being informed of regulatory compliance issues at the Center.

Recommendation

The Project Manager should:

- Request that the YMCA obtain and provide copies of current pool health and boiler permits in the name of the appropriate organization.
- Implement procedures to ensure that all operating permits remain current.
- Request that the YMCA forward copies of correspondence, permits, and reports from all governmental agencies relating to the operations of the Center.
- Review correspondence and reports from regulatory agencies to determine the impact on the operations of the Center and compliance with Agreement provisions.

13. Utility Cost Monitoring

Criteria

Routine monitoring and analysis of utility usage and costs can help identify significant or irregular activity that can be evaluated to identify problems or reduce utility costs.

Condition

In accordance with Amendment 1 to the original Agreement, the City reimburses the YMCA for the Center's utility costs (including power, gas, water, and sewer). The utility meters for the Center are in the name of the YMCA and they receive the utility bills. The YMCA sends a monthly invoice to Finance requesting reimbursement of their utility costs. This invoice is accompanied by copies of portions of the utility bill documentation

related to the Center. Finance compares the YMCA invoice to the supporting utility bills prior to payment.

The Facilities Management Division of the Field Operations Department has a Utilities Coordinator who monitors the usage and costs of utilities at City facilities. The Utilities Coordinator does not receive copies of the Center's utility bills and the Center's meters are not included in his utility monitoring.

Cause

When the City formally agreed to pay the Center's utility costs, City staff members did not implement procedures to regularly monitor the Center's utility usage and costs as is done with other City facilities.

Effect

Without regular monitoring of the Center's utility usage and costs, significant or irregular changes that may indicate equipment problems or energy management issues will not be identified and addressed.

Recommendation

The Project Manager should:

- Request that the Utilities Coordinator monitor the utility usage and costs at the Center; identify significant changes, and follow-up as deemed appropriate.
- Evaluate the feasibility of having the Center's utility meters transferred to the City thereby allowing the City to receive the complete utility bills and make payment directly to the utility companies.

14. Energy Management

Criteria

Effective energy management requires proper monitoring of the settings of HVAC (Heating, Ventilation, and Air-Conditioning) equipment.

Condition

The audit included an inspection of the Center with technicians from the City's Facilities Division of the Department of Field Operations. During this inspection, YMCA management informed us that it is difficult to regulate the temperature of the rooms within the Center. The City technicians concluded that the YMCA could more effectively identify energy management issues and improve the energy efficiency of its

HVAC equipment through the use of Direct Digital Control software (DDC). The City uses DDC software at its facilities to regulate and monitor the settings of its HVAC equipment.

Cause

The technical instructions and equipment for monitoring the Center's HVAC system are not currently available to Center staff members.

Effect

Energy management deficiencies impact the Center's utility costs that are being paid by the City.

Recommendation

The Project Manager should:

- Work with the City's Facilities Maintenance Division to assist the YMCA Management more effectively and timely identify energy management issues and improve the energy efficiency of the Center's HVAC system.
- Evaluate the feasibility of having City technicians conduct periodic maintenance inspections of the Center to monitor compliance with the maintenance provisions.

15. Document Tracking and Storage Process

Criteria

Efficient and effective contract oversight requires identification of where correspondence from contractors should be sent and a central document tracking and storage process.

Condition

The YMCA submits various documentation (paper and electronic) to the City to comply with the Agreement provisions. These documents are not being stored in a central location and a document receipt log is not maintained. In our search for certain documents, we could not determine with assurance whether they had been provided to the City. Also, it is not always clear which City staff members need copies of submitted documentation.

Cause

There is no formalized central document tracking and storage process for monitoring the Agreement.

Effect

No assurance that all required documents are being submitted by the YMCA and challenges in verifying compliance with the Agreement.

Recommendation

The Project Manager should:

- Provide the YMCA a listing of each document that should regularly be submitted to the City and the names and addresses of City staff members who should receive copies of these documents.
- Instruct the YMCA to copy him on all correspondence.
- Establish a formalized central document tracking and storage process for the Agreement.

Management Response

1. Vending and Concessions

Recommendation:

The Project Manager should coordinate with Purchasing and Contracts to address the unresolved issues related to the Center's compliance with NRS 426 and provide direction to the YMCA.

Management Action Plan:

The Purchasing and Contracts Manager has been contacted regarding this issue. The manager indicates that a letter will be sent to the YMCA explaining their exemption from this statute. The YMCA is exempt from the statute as they are a non-profit organization.

Estimated Date of Completion:

March 2008.

2. Written Notification of Intent to Review Agreement

Recommendation:

The Project Manager should develop a method for monitoring compliance with important deadlines within the Agreement.

Management Action Plan:

The Project Manager has worked with the Finance & Business Services Department, YMCA Fiscal Project Lead, to establish a calendar of events that includes important deadlines to which the Project Manager will hold both the City and the YMCA accountable. Important deadlines in the contract relate only to the contract expiration date which will be documented.

A calendar of dates has been created and shared with the YMCA. Deadlines of note include:

June and December of every year: The City will provide a safety inspection and will request a follow-up report filed by the YMCA within a one month period.

June of every year: The City will ensure the YMCA has updated all documentation outlined in the following recommendations.

Quarterly: The City will provide maintenance inspections of the facility and subsequent reports to the Project Manager and the YMCA detailing the report findings.

Estimated Date of Completion:

This item has been completed.

3. Ten Percent City Usage of the Center

Recommendation:

The Project Manager should:

- Evaluate whether the YMCA and/or City should track the City's percentage usage of the Center.
- If the decision is made to track City usage, work with the YMCA to establish a methodology for determining the City's percentage usage of the Center.
- Request that the YMCA summarize the total hours of usage of the City and registered neighborhood-based associations and submit this monthly to the City.

Management Action Plan:

This issue has been addressed with the amendment to the Durango Hills YMCA Contract. The amendment modifies original contract language that required documentation. New language in the contract allows the City to use the facility at no cost and with no time limitation. This scheduling will occur via the Leisure Services Department for Leisure Services related activities or through the Project Manager if City related. Neighborhood Associations and other community groups will still schedule time and space directly with the YMCA. The YMCA will be encouraged to track the use of the facility.

Estimated Date of Completion:

This item has been completed.

4. Fee Analysis and Approval Process

Recommendation:

The Project Manager should:

- Re-evaluate how the fee analysis is completed including what program fees the City is most interested in comparing.
- Identify what other City staff members should participate in this analysis.

Management Action Plan:

- The City will continue to collect and analyze the information provided by the YMCA about the YMCA fee structure. As the City is interested in all of the fees the YMCA charges and is responsible for approving the YMCA fee structure, all fees will be analyzed on a regular basis. Comparisons will be made on an as needed basis.
- The Project Manager will collect the information and send it to the Leisure Services Department staff for review.

Estimated Date of Completion:

March 2008.

5. Financial Analysis of Contractor Records

Recommendation:

The Project Manager should work with Finance to evaluate how to best analyze the monthly financial information provided to the City. If a decision is made to continue with the comparison of the two community centers, the flaws in methodology and inconsistencies should be addressed.

Management Action Plan:

The Project Manager has requested that the YMCA supply the following information on a monthly basis:

- Profit and Loss Statement (Already submitted monthly)
- Revenue Statements
- Membership Reports
- Bank Reconciliation Reports

The Fiscal Project Lead in the Finance & Business Services Department will conduct a monthly review of all documents to ensure that the YMCA is reporting accurately.

All documents requested will be sent directly to the Project Manager and forwarded to the Project Lead in the Finance & Business Services Department.

Estimated Date of Completion:

The YMCA will begin sending the requested documents in March 2008.

6. Advertisements and Marketing

Recommendation:

The Project Manager should:

- Clarify what advertising and marketing materials the YMCA should submit to the City.
- Identify which city staff members should review the advertising and marketing materials and define the objectives of their review.

Management Action Plan:

- It has been determined that all marketing materials produced about the Durango Hills YMCA should be submitted to the City.
- The Office of Communications will review the advertising and marketing materials for the inclusion of the logo and name of the City of Las Vegas as well as a grammar and punctuation review to ensure consistency.

Estimated Date of Completion:

This process has been implemented.

7. City Bank Account

Recommendation:

The Project Manager should:

- Coordinate with Finance to establish monitoring procedures for the City Account.
- Determine if additional information should be provided by the YMCA.
- Ensure that the signature card is updated and remains current.

Management Action Plan:

- The Fiscal Project Lead will monitor the City's account on a monthly basis.
- In addition to the profit and loss statements, the YMCA will provide revenue statements, membership reports, and reconciliation reports.
- The YMCA will investigate and submit the appropriate documentation. The Fiscal Project Lead will ensure that the appropriate documentation is submitted on or before June 30 of every year.
- The City's Finance and Business Services Department will review and update, if needed, the signature card on or before June 30 of every year.

Estimated Date of Completion:

The request has been submitted to the YMCA and the documentation and review process will begin by March 2008.

8. YMCA Contractor Compliance

Recommendation:

The Project Manager should work with YMCA management to evaluate how to satisfy this Agreement provision.

Management Action Plan:

The agreement provision was removed in the amendment to the contract as it was deemed appropriate by the Purchasing and Contracts Division of the City of Las Vegas.

Estimated Date of Completion:

Complete.

9. Safety Monitoring

Recommendation:

The Project Manager should:

- Request that the City's Safety Officer conduct periodic safety inspections of the Center and forward him copies of her findings.
- Coordinate follow-up on the identified findings to ensure proper resolution.

Management Action Plan:

The City of Las Vegas Safety Officer has conducted a safety-inspection of the facility. The YMCA has responded by accepting the recommendations and following up with an action plan.

June and December of every year: The City will provide a safety inspection and will request a follow-up report filed by the YMCA within a one month period.

Estimated Date of Completion:

January 2008.

10. Operating Reserve

Recommendation:

The Project Manager should:

- Request that the YMCA provide the City with documentation showing that the operating reserve is restricted in accordance with the Agreement.
- Establish annual procedures to verify the continued existence of this operating reserve and the required restriction.

Management Action Plan:

- A letter has been sent to the YMCA requesting documentation showing that the operating reserve is restricted in accordance with the Agreement.
- The Fiscal Project Lead will ensure the appropriate documentation is submitted on or before June 30 of every year.

Estimated Date of Completion:

March 2008.

11. General Liability Certificate of Insurance

Recommendation:

The Project Manager should:

- Request that the YMCA provide the City with a current certificate of insurance that complies with the Agreement provisions.
- Request that the YMCA inform their insurance broker to send all future renewal certificates to the Project Manager.
- Establish procedures for receipt, review, and filing of all renewal certificates of insurance provided by the YMCA.
- Identify City staff members and/or outside resources who should be involved with this review.

Management Action Plan:

- A request has been made to the YMCA to provide a current certificate of insurance that complies with the Agreement provisions.
- A request has been made to the YMCA to inform their insurance broker to send all future renewal certificates to the Project Manager.
- The Project Manager will work with the City's Safety/Loss Prevention Officer to ensure that all renewal certificates of insurance provided by the YMCA will be reviewed on or before June 30 of every year.

Estimated Date of Completion:

March 2008.

12. Other Governmental Permits

Recommendation:

The Project Manager should:

- Request that the YMCA obtain and provide copies of current pool health and boiler permits in the name of the appropriate organization.
- Implement procedures to ensure that all operating permits remain current.
- Request that the YMCA forward copies of correspondence, permits, and reports from all governmental agencies relating to the operations of the Center.
- Review correspondence and reports from regulatory agencies to determine the impact on the operations of the Center and compliance with Agreement provisions.

Management Action Plan:

- A letter will be sent to the YMCA requesting that all appropriate health and boiler permits be transferred into the City's name. Field Operations staff and the City's Safety/Loss Prevention Officer will ensure the timely renewal of such permits.
 - A meeting with representatives from the YMCA, City, and applicable regulatory agencies may be set up in order to determine how the permits should read.
- The status of the permits will be checked on or before June 30 of each year.
- A letter will be sent to the YMCA requesting that all correspondence, permits, and reports from all governmental agencies relating to the operations of the Center be forwarded to the Program Manager.
- All reports from regulatory agencies will be reviewed by the appropriate staff as determined by the Program Manager.

Estimated Date of Completion:

March 2008.

13. Utility Cost Monitoring

Recommendation:

The Project Manager should:

- Request that the Utilities Coordinator monitor the utility usage and costs at the Center; identify significant changes, and follow-up as deemed appropriate.

- Evaluate the feasibility of having the Center's utility meters transferred to the City thereby allowing the City to receive the complete utility bills and make payment directly to the utility companies.

Management Action Plan:

The YMCA has agreed to transfer all utility expenses into the name of the City of Las Vegas. This action will allow the City's Utility Coordinator to evaluate, on a regular basis, the energy consumption of the facility as is done with every other City facility. Significant increases in the energy consumption of the facility will be forwarded to the Project Manager for review and justification supplied by the YMCA.

Estimated Date of Completion:

March 2008.

14. Energy Management

Recommendation:

The Project Manager should:

- Work with the City's Facilities Maintenance Division to assist the YMCA Management more effectively and timely identify energy management issues and improve the energy efficiency of the Center's HVAC system.
- Evaluate the feasibility of having City technicians conduct periodic maintenance inspections of the Center to monitor compliance with the maintenance provisions.

Management Action Plan:

- The Deputy Director of Field Operations will coordinate the best and most efficient means of ensuring the YMCA purchases an energy management system that both the City and the YMCA can utilize. As previously indicated, the City's Utilities Coordinator will monitor energy consumption on a regular basis.
- The Field Operations Department will conduct quarterly maintenance inspections beginning in March 2008 and every quarter thereafter.

Estimated Date of Completion:

March 2008.

15. Document Tracking and Storage Process

Recommendation:

The Project Manager should:

- Provide the YMCA a listing of each document that should regularly be submitted to the City and the names and addresses of City staff members who should receive copies of these documents.
- Instruct the YMCA to copy him on all correspondence.
- Establish a formalized central document tracking and storage process for the Agreement.

Management Action Plan:

The Project Manager has coordinated with the Fiscal Project Lead a list of all documents that will be collected on a regular basis as indicated in the Management Action Plan associated with recommendation 2 and will forward the request to the YMCA.

All documents collected from the YMCA will be stored by the Project Manager and requested copies will be made available to the Project Lead in Finance & Business Services. The documents will be maintained via the City's document retention program.

Estimated Date of Completion:

Complete